

DEMOCRATIC GOVERNANCE UNDER THREAT

Nepal's Internal Conflict

November 30, 2001

FOREWORD

This report provides an historical overview and analysis of the current internal conflict in Nepal. It draws extensively from public documents, news reports, as well as information and data collected and analyzed by USAID/Nepal staff. The report concludes with a summary of USAID/Nepal's response to date and proposed actions to mitigate the conflict. The conflict is dynamic with rapidly changing events and the reader should note the date of submission and realize that subsequent events may affect the analysis and conclusions herein.

USAID/Nepal
November 30, 2001

Table of Contents

Glossary	
I. Executive Summary.....	5
II. The Conflict.....	7
1. Historical Perspective.....	7
2. Origin of the Conflict.....	13
3. Recent Developments.....	15
4. Phases of the Conflict.....	17
III. Causes and Impact of the Conflict.....	23
1. Root Causes.....	23
2. Human Rights Conduct.....	26
3. Material Effects.....	31
4. Regional Implications.....	33
IV. Response to the Conflict.....	36
1. Government of Nepal: ISDP.....	36
2. Donor Community.....	38
V. Annexes	
A. Selected Timeline	
B. Political Parties Represented in Parliament	
C. Key Leaders in Nepal	
D. Activities of the Communist Party in India	
E. GON Appeal to Donors	
F. Maoist 40-Point Demands	
G. People Killed Under the Different Governments	
H. ISDP Summary	

Glossary

ADB	Agriculture Development Bank
COMPAS	Coordination Committee of Maoist Parties in South Asia
CPI	Communist Party of India
CPN	Communist Party of Nepal
DDC	District Development Committee
DFID	Department of International Development
GDP	Gross Domestic Product
GON	Government of Nepal
HDI	Human Development Index
HMG	His Majesty's Government
INGO	International Non-Government Organization
ISDP	Integrated Security and Development Program
MCC	Maoist Communist Center
ML	Marxist Leninist
MOF	Ministry of Finance
Naxalites	Leftist terrorist group, active in northern India
NCP	Nepali Congress Party
NDC	Nepal Democratic Congress
NGO	Non Government Organization
NNC	Nepali National Congress
NPC	National Planning Commission
NSU	Nepal Students Union
RCP	Revolutionary Communist Party
RIM	Revolutionary International Movement
RNA	Royal Nepal Army
SA	South Asia
Terai	Low-lying agricultural belt, along Nepal's border with India
UML	United Marxist Leninist
UMN	United Mission to Nepal
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VDC	Village Development Committee

I. EXECUTIVE SUMMARY

This report summarizes the history, causes, and impact of Nepal's six-year insurgency and presents USAID/Nepal's rationale for its proposal for short-term support for the Government of Nepal's efforts for security, development, and peace building.

Historical Perspective

Nepal's political history is replete with incidents portraying one group or another within and outside the Government using violence in attempts to gain or maintain power. Generally, the rise to power by political factions has been marked by attacks on government, brutal retaliation, ensuing legitimacy and new attacks by those remaining outside the political arena.

How the Maoist conflict started and has evolved

Following the breakup of the United People's Front (one of Nepal's many Communist parties) into two factions, only one of the factions was allowed to take part in the 1994 mid-term elections. When the Supreme Court delayed a decision on the case until after the elections, the second ultra-radical party, headed by B. Bhattarai, initiated a campaign of intimidation to boycott the elections. Directly after the elections, Bhattarai's faction began a campaign of violent retribution in Rolpa district. The government responded using the police and many human rights violations took place.

In February 1996, the Communist Party of Nepal (Maoist) declared a "People's War" against the GON and immediately began carrying out attacks mostly targeting the police, supporters of other parties, and elected local officials. The intensity of the armed incidents has increased over the past six years.

In August 2001, Prime Minister Deuba's government initiated peace talks with the Maoists and the GON declared a cease-fire. Three rounds of talks were held before the Maoists withdrew and simultaneously attacked several army and police posts, and other government institutions on November 23, 2001. The government declared a State of Emergency three days later (November 26, 2001), and formally mobilized the army against the Maoists.

Causes of the conflict and its impact

With 42 percent of its population living below the poverty line of USD77 per year, Nepal is one of the poorest countries in the world. It ranks 144th out of 174 countries included in the UNDP Human Development Report. Eighty percent of Nepalese rely on farming for a living, and opportunities for employment in other sectors are very limited, particularly in rural and remote areas of the country. Development efforts have improved the standard of living in some parts of the country, but significant disparities between urban and rural areas remain. These problems, compounded by poor education, corruption, and the lack of

development impact at the local level, have provided fertile ground for the Maoist insurgency. Support to the Maoists stems mainly from the failure of successive governments to alleviate poverty, reduce unemployment, curb corruption, and deliver services, particularly in rural areas.

The level of violence associated with the conflict has intensified over the years. In addition to the human toll (deaths are estimated at between 1800 and 2000 persons), the six-year old insurgency's impact on the economy has further retarded the development potential of this already impoverished nation. Increased government spending on security and loss of revenues in the tourism and manufacturing sectors are increasing the Government of Nepal's (GON) budget deficit.

Finally, because of its strategic location, instability in Nepal has regional implications particularly to its neighbors, two of the most populous nations of the World -- India and China.

Response to the conflict

The Government of Nepal initiated the Integrated Security and Development Program (ISDP) in April 2001, to provide both security and development in areas heavily affected by Maoist activities using the army to maintain law and order, protect government property, and carry out development projects.

Several bilateral donors are considering programs in support of the GON's peace and development efforts. USAID has responded by improving its data collection and analysis, expanding its efforts at donor coordination, increasing its efforts to coordinate with the entire US Mission country team, and requesting additional funding for transitional activities to address the root causes of the conflict.

II. THE CONFLICT

1. HISTORICAL PERSPECTIVE

Rise of the Rana and Shah Dynasties (1800–1951)

In the second half of the eighteenth century, the 80-odd kingdoms in the territory that today comprise modern Nepal were conquered and unified under the Shah dynasty. In the 1790s, the Shah king died and a series of internecine power struggles among the aristocracy, marked by intrigue and violence, began. These struggles climaxed in 1846, when the Rana family murdered nearly all of its opponents in a single night. For the next century, until 1951, a dictatorial Rana-family oligarchy ruled Nepal, side-lining successive Shah kings although governing in their name.

Returning home from the First World War, Nepali soldiers brought with them new ideas and aspirations, sparking the first real opposition to Rana rule. From India, Nepali exiles published newspapers critical of the Ranas, (no opposition, private newspaper, political activity, or criticism was tolerated inside Rana Nepal). By 1935, these exiles in India had formed the first Nepali political party, advocating democracy and the overthrow of the Ranas, and established cells in Nepal. Police infiltration of the party resulted in the arrest of 500 persons in Kathmandu and the execution of four of its leaders for treason.

Post WW II Period

At the end of WWII, the British (who had been allies of the Ranas) were preparing to leave India. Many Nepali exiles working with the Indian independence movement realized that with the elimination of British colonial support, the Rana regime was much more vulnerable. One such party, The Nepali National Congress (NNC), was officially dedicated to ousting the Ranas by peaceful means, and establishing democratic socialism in Nepal. In 1947, the NNC's participation in a labor strike in southern Nepal (which disrupted rail traffic in northern India and provoked army intervention) garnered support for the party, and brought thousands of protesters into the streets in Kathmandu. The strike was suppressed, and its leaders, including B.P. Koirala (who was to become the most widely known Nepali revolutionary), were jailed. When the Prime Minister announced some reforms, and the formation of a committee to consider further liberalization, the Nepali National Congress ceased its campaign and B.P. Koirala was released from prison. By 1948, the NNC had agreed to function within the framework of Nepal's first constitution, and to participate in the new parliament.

In 1949, another group of Nepali exiles, along with members of the Indian Communist Party, announced the formation of the Nepal Communist Party. The first declaration of the NCP proclaimed that its aim was "to destroy completely the present feudal system and the imperialistic capitalist hegemony over Nepal and to establish a people's state of the working people under the leadership of the working class." The NCP hailed the Soviet Union where socialism had emerged victorious with the people's democratic states of Eastern Europe, as well as the struggles of the people of China and North Korea. With the

British departure from India in the south, and a communist revolution in China, to the north, the Ranas understood that they would have to accommodate the changed situation.

Meanwhile in 1949, the newly appointed, archconservative Prime Minister quickly outlawed the NNC and re-arrested B.P. Koirala. Some of the more progressive Ranas fled to Calcutta where they founded the Nepal Democratic Congress (NDC), which publicly advocated overthrowing the Rana government by any means, including armed insurrection. They tried unsuccessfully to foment army coups in 1949 and 1950. The Nepali National Congress absorbed the Nepal Democratic Congress in 1950, merging into the Nepali Congress Party (NCP), dedicated to waging an armed struggle against the Rana regime.

Return of Shah Dynasty

When parliament was convened in 1950, it was so full of Rana appointees, that no one in the opposition took the legislature seriously. On November 6, 1950, King Tribhuvan, (a descendent of the Shah king who unified Nepal in the 1760s) who had long been making anti-Rana statements, escaped from the palace and sought asylum in the Indian embassy in Kathmandu, whence he was flown to New Delhi. Armed attacks by the NCP's Liberation Army began in the south, initiating revolution in Nepal. The Nepal Communist Party refused to take part in the armed struggle against the Ranas, denouncing it as a *bourgeois* revolution.

The Liberation Army's initial strategy was to capture the Terai area, which produced most of the country's grain. While rebels were able to capture towns, they could not hold them against counterattacks by the army. In Kathmandu, mass demonstrations of up to 50,000 people demanded the return of the king. In eastern and western Nepal, rebels infiltrated the hill areas where army operations were more difficult and several western Nepal hill towns fell to the rebels. Some army officers resigned in protest, and some government troops began to surrender to the rebels.

Negotiations between the Ranas and the Indian government, led to a proclamation by the Rana Prime Minister promising restoration of the king, amnesty for all political prisoners, and elections based on adult suffrage no later than 1952. Tribhuvan agreed to the terms, a cease-fire was declared, and he returned to Kathmandu. In February 1951, an interim government was sworn in, composed of Nepal Congress Party members and Ranas, and headed by the Rana Prime Minister.

Between 1951 and 1959, a succession of short-lived governments ruled either under the terms of the interim constitution or under the direct authority of the king. Meanwhile, bandit gangs harried the Terai, some units of the old Nepali Congress Liberation Army refused to stop fighting, and ultra-conservative forces provoked a mob attack on B.P. Koirala's house in Kathmandu. In 1954, the Nepal Communist Party launched a short-lived peasant uprising in the Terai. Because it was difficult to create a favorable environment for a constituent assembly to frame a permanent constitution, the king continued to postpone elections for an assembly, for most of the decade.

King Mahendra (Rules from 1954 to 1972)

Consolidation of Royal Power

When King Tribhuvan died in 1954, his son, Mahendra, assumed the throne. Operating behind a democratic façade, he continued experimenting with types of councils or ministries to insure that power remained firmly entrenched in the monarchy. Finally, Mahendra was forced to succumb to the mounting pressure from large-scale civil disobedience campaigns, and announced that elections for a representative assembly would take place in February 1959. A week before the elections, the king had his own commission draw up a new constitution, which was presented to the nation. The new constitution gave the monarchy even greater powers. Under the new constitution, the king could act without consulting the Prime Minister and could even dismiss him. He also retained control of the army and foreign affairs and could invoke emergency powers suspending all or part of the constitution. In the first national elections in the history of Nepal, the Nepali Congress won a clear victory, taking 74 out of 109 seats. B.P. Koirala became Prime Minister.

When destabilizing the Nepali Congress proved difficult, the king used the nation's chronic violence (widely believed to be orchestrated by the monarch himself) as a reason to act directly. In December 1960, with army support and with little warning, the king carried out a royal coup. He assumed direct rule, dismissed the cabinet, and arrested its leaders. B.P. Koirala spent the next eight years in prison and another eight years in exile. In early 1961, when several allied parties initiated a non-violent struggle against the new order, all political parties were declared illegal, and the king instituted a system of government under his direct leadership, called the Partyless Panchayat System. In 1962 the Nepal government enacted a special law to suppress the NCP, and the property of many Nepali Congress workers was confiscated.

By late 1961, violent actions organized by the Nepali Congress Party in exile began along the Indian border, increasing in size and number during early 1962. Police posts were attacked and burned, and government offices were bombed. Democratic India, having recently absorbed the many previously independent kingdoms in its own territory, supported the Nepali Congress that had supported India's own independence struggle.

Change in Indian Foreign Policy (1962 Indo-Chinese War)

In October 1962, war broke out between India and China and Chinese troops soon occupied mountain areas east and west of Nepal. Shocked by the reversal suffered by its forces, India's leaders were forced to re-evaluate the strategic situation in the Himalayas and concluded that strong, friendly neighbors were more important than cross-border insurgencies. India withdrew its support for the NCP insurgents, and established closer relations with the king's government. Meanwhile, The Royal Nepal Army proved capable

of handling guerilla warfare, and in the midst of increasing desertions from its cause, the Nepali Congress called off the armed struggle.

In 1963, elections to the National *Panchayat* took place. Although political parties were officially banned in Nepal, about one-third of the members of the legislature were associated with the Nepali Congress. However, real power came from the king's secretariat; the army and the government bureaucracy prevented opposition to the king's rule within the *Panchayat* while appointed zonal commissioners maintained control over the countryside. By 1968, the Nepali Congress had split into three factions, two attempting to work more or less within the existing system. The third faction, led by the indomitable B.P. Koirala (recently re-released from prison), was committed to democratic revolution and violent overthrow of the *Panchayat* system, and its members, once again, departed for exile in India.

In 1971, a branch of the Nepal Communist Party began a series of assassinations of "class enemies", in the southeast of the country. This coincided with political assassinations across the border in India, carried out by radical Indian communists, known as Naxalites. The assassinations in Nepal resulted in arrests and extra-judicial killings of party activists by government security forces.

King Birendra Assumes Throne (Rules from 1972 to 2001) and NCP Starts/Renews Terrorist Campaign

When King Mahendra died in 1972, his son, Birendra, (murdered in June 2001) ascended the throne heralding further turmoil. Students at the national university went on an indefinite strike, and 100 armed men, supposedly linked to B.P. Koirala's group, attacked a town in the eastern Terai killing a policeman. By 1974, B.P. Koirala's wing of the Nepali Congress Party was attacking police posts and other government institutions across eastern Nepal. In the same year, the NCP carried out bomb attacks on a government minister and on the king himself. When it became apparent that the *Panchayat* system was going to endure, B.P. Koirala and other political exiles toned down their revolutionary rhetoric and activities, advocating reconciliation with the king.

In 1977-78, there were violent student demonstrations against the *Panchayat* system. In one demonstration in the heart of Kathmandu's commercial center, the office of the government-controlled newspaper was burned. Several student leaders were killed in clashes with the police. In the face of this unrest, the king announced that a referendum would be held, in the near future, during which the people could decide to support or reject the *Panchayat* system. The announcement was followed by intense realignment inside and outside the *Panchayat* system. In May 1980, over 65 percent of eligible voters cast their votes, and the *Panchayat* system was retained by a margin of less than ten percent. The king's narrow win induced him to institute further reforms in the *Panchayat* system. Most parties, including the Nepali Congress, were torn by debates over whether to allow their members to run for office. B.P. Koirala's death in 1982 added to the political disarray. The next decade saw increasing factionalism in the National *Panchayat* and heightened public dissatisfaction with the thin veneer of pseudo-democracy that barely covered a system heavily weighted in favor of an ultra-conservative elite minority.

Democratic Movement Begins and Nepal Becomes a Constitutional Monarchy

In the spring of 1989, India suddenly declared that its 1950 trade and transit treaty with Nepal had expired and proceeded to close most entry points on the border. Vital supplies of fuel, food, and medicines were stopped. The tourism industry was crippled, factories laid off workers, inflation in Nepal rose to 11 percent, and the growth of the economy fell from 9.7 percent the previous year, to 1.5 percent. Student demonstrations against India began to take on anti-government tones.

In 1990, the Nepali Congress Party allied itself with a group of communist parties, called the United Left Front. This alliance initiated the *Jana Andolan* (People's Movement), a series of mass public demonstrations across the country. Considering the results achieved by the movement, the level of violence was low. Yet, there were brutal killings by the police and the killing of policemen by mobs of demonstrators. In one instance, the army fired into a procession that was marching on the royal palace. As the movement reached its climax, martial law was declared. The *Jana Andolan* finally brought down the *Panchayat* system, and in April 1991, the king accepted the role of constitutional monarch.

Interim Government and Drafting of Constitution

The parties that had led the People's Movement under the premiership of K.P. Bhattarai formed an interim government. The interim government had two mandates, to draft a new constitution and to hold national elections.

The wide spectrum of political ideologies represented in the interim government, and the need to satisfy the monarchy, insured that the task of drafting a constitution was contentious at every step. The process dragged on for many months while the press and the public grew impatient. In order to achieve sufficient consensus to produce the document, some of the most contentious issues (among them, the question of who controls the army) were purposely left ambiguous.

The First Elections in 1991

Any good will that remained among the parties that had led the People's Movement disappeared as soon as campaigning for Nepal's first democratic elections since 1959 commenced. Twenty parties participated in the elections, which international observers called reasonably free and fair, although there were some accusations of ballot box tampering, intimidation of voters, vote buying, and other irregularities.

The Nepali Congress Party came to power with a majority government led by G.P. Koirala, younger brother of the late revolutionary and founder of the NCP, B.P. Koirala. The government stayed in power for 43 months, longer than any government since.

Establishment of the CPN (Maoist) – “The Maoists”

Four radical communist groups, that were not part of the United Left Front during the People's Movement, formed an alliance called the United People's Front in 1991. The United People's Front organized violent street demonstrations against the government, including a nationwide general strike in April 1992, during which the police killed 16 people. In June 1994, two of the groups in the Unity Center split off, to form the Communist Party of Nepal (Maoist). These are today's "Maoists" who were to declare a "People's War" in February 1996.

2. ORIGIN OF THE PRESENT CONFLICT

Bhattarai Contests Elections and Mounts Terrorist Campaign

Nepal's communist movement has divided and sub-divided 46 times in its 52 year existence. The present conflict's origins began when the United People's Front divided into two factions - one radical and one ultra-radical party. In 1994, each of the two factions attempted to enter the political arena. The ultra-radical faction, was headed by B. Bhattarai and sought formal recognition from the election commission to participate in the 1994 mid-term election. The election commission rejected the application, having already recognized the other faction as the United People's Front. The Bhattarai faction then took its case to Nepal's Supreme Court, which delayed its decision until after the election, making the faction ineligible to participate. In response, the Bhattarai faction initiated a campaign to boycott the election, threatening any and all participants with retribution.

After the election, B. Bhattarai's faction began taking violent action against those in Rolpa District who had participated. In response, the GON initiated Operation-Romeo, which has been described as a campaign of police brutality and terror. At the time, the government denied the existence of the operation. The government assumed that the police, through massive brutal retaliation, would simply silence the movement. For their part, the police entered the district and, by general historical consensus, engaged in widespread human rights abuses including torture, rape, detention, and murder. This time, however, the tactics enraged the population. Once organized, the Maoists responded in kind against the police.

"People's War" Declared and CPN (Maoists) Submit Demands

The Communist Party of Nepal (Maoist) was founded at an underground conference in the spring of 1994. Pushpa Kamal Dahal (*nom de guerre*: Prachanda) was elected general secretary, and remains (as chairman) one of the party's two prime leaders today. The other prime leader, B. Bhattarai, headed the aboveground wing of the party, the Samyukta Janamorchha, (which until now has one seat in parliament). [Note: Hereinafter, when the term "Maoists" is used, it refers to the CPN (Maoist)]

On January 1st 1995, B. Bhattarai, as head of the Samukta Janamorchha, submitted 38 demands to the ruling minority communist government. However, the government fell in a no-confidence vote before any response was issued. On February 4th 1996, B. Bhattarai submitted an expanded list of 40 demands^{*} to a coalition government led by Prime Minister S.B. Deuba (who at the time of this writing, in November 2001, is once again Prime Minister). These demands were accompanied by a warning that if the demands were not met by February 17th a struggle against the State would ensue. Four days before the deadline expired, the Maoists initiated violent attacks in 6 districts, and declared a "People's War". That "People's War" carried on by the Maoists has continued through various phases until today. Given the fluidity of Nepali politics, the reader should carefully

* Refer to annex for list of demands

note the date of submission and check for updates. That said, this document examines the phases that have constituted the “People’s War” to date.

3. RECENT DEVELOPMENTS

The Royal Massacre (June 1, 2001)

On June 1st 2001, the Crown Prince, popular with the public, murdered his parents, siblings, and other members of the royal family, before killing himself. This mass regicide significantly altered the environment in which the present conflict is taking place. The immediate effects were the most obvious: there was shock and outrage when news of the shooting reached the public. The clumsy handling of news releases, by the palace, fed suspicion that the official account of the murders was a cover-up. Street demonstrations reached such intensity that curfews were imposed, and the corpse of the Crown Prince had to be taken for cremation, surrounded by armoured military vehicles. Many still refuse to accept that the Crown Prince killed himself and his family in a drug and alcohol-fueled shooting rampage, when his parents objected to his choice of a bride. Alternative theories about the murders cast a dark shadow over the late king's brother who succeeded him to the throne.

Nepal has been a constitutional monarchy for just over a decade. A longer tradition of *absolute* monarchy combined with the constitution's ambiguity concerning some aspects of the monarch's role, invest the palace with more political weight than it might otherwise carry. The late king Birendra was generally seen to exercise restraint, and demonstrate a willingness to work within the spirit of the constitution. A new personality on the throne raises new uncertainties about how the palace will use its influence.

Changes in the Government

On June 22nd, 2001, S.B. Deuba replaced G.P. Koirala as Prime Minister. Because of opposition party protests demanding Koirala's resignation, parliament had been completely unable to function for the entire previous winter session. The change of Prime Ministers was considered a milestone in the history of the present conflict. A cease-fire rapidly ensued, and negotiations were quickly initiated with the Maoists. A period of cooperation between the ruling and opposition parties began which was a unique event in Nepal's brief history of multi-party politics.

Peace Talks between the Maoists and the GON

Between August 30th and November 13th, the government held three rounds of talks with the Maoists. The first was a warm-up session with no agenda proposed, during which both parties gave assurances that they were willing to resolve the conflict peacefully. At the second round, each party accused the other of violating the cease-fire. The Maoists tabled three demands: 1) abolition of the monarchy and establishment of a republic, 2) formation of an interim government, and 3) formation of a constituent assembly and a new constitution to replace the existing one. The government rejected all three. The third round was adjourned after one day, for a four-day holiday, and was to resume at the holiday's end. Instead, on November 22nd, the Maoists declared that there was no longer any justification for a cease-fire.

Resumption of the “People’s War” and Declaration of a State of Emergency

On the 23rd and 25th of November, the Maoists carried out attacks on two district capitals, one in the mid-west, and one in the east. The Maoists killed over 30 people in each of the attacks, and looted cash from banks, and about 400 weapons from the police and army. About 200 Maoists were reported killed. In both attacks, the Maoists targeted barracks of the Royal Nepal Army, which they had never done before.

Subsequently, the government declared a State of Emergency, branding the Maoists terrorists, and fully mobilizing the army against them. Maoist workers and sympathizers were arrested, and some civil liberties were suspended.

4. PHASES OF THE CONFLICT

Phase 1: May 1994 – February 12, 1996 – *Early Maoist Violence/Operation-Romeo*

When the United Left Front, an extremist left wing party, split in 1994, B. Bhattarai's more radical faction applied for recognition from the election commission to represent the party in the upcoming national elections. The application was rejected, in favor of the other faction. Bhattarai took his case to the Supreme Court, but the court's decision was delayed until it was too late for his ultra-radical faction to participate in the election. Bhattarai's faction then boycotted the election, threatening reprisals against any party that participated in them. After the election, his supporters made good their threat, taking violent action against the workers of parties who had participated.

The GON initiated a police action known as "Operation-Romeo" to suppress Bhattarai's group. Numerous cases of human rights violations by the police were reported.

Phase 2: February 13, 1996 – mid-June 1998 – *Start of the "People's War"*

The Communist Party of Nepal (Maoists), which had been formed in June 1994, declared a "People's War" against the GON on February 13th 1996. On the same night, they carried out a series of attacks on police posts, an INGO office, and a factory. For the next 28 months they continued to attack police posts, killing policemen and capturing weapons. Murders, beatings, and mutilations were carried out against supporters of other political parties (mainly Nepali Congress Party supporters), local elected officials, and individuals whom they considered "feudal, and class enemies". The Maoists disrupted the local elections of 1997, preventing elections from taking place in 70 VDCs (about 2% of all the local governments in the country).

Phase 3: mid-June – August 1998 – *Operation Kilo-Sierra-2*

In the Spring of 1998, G.P. Koirala came to power at the head of a coalition government composed of the Communist Party of Nepal (United Marxist Leninist), the Rastriya Prajatantra Party, and the Nepali Congress Party. The frequency and violence of Maoist attacks increased further. In mid-June 1998, the government initiated a police action called "Operation Kilo-Sierra-2" to suppress the "People's War". Although Maoist violence was very much reduced during the operation, police brutality and human rights violations against ordinary citizens drove many into the Maoist camp, and turned public sentiment against the government, the Prime Minister, and especially the police. Note: Five-hundred-ninety-six people were killed on both sides during the 14 months that Koirala's government was in power, compared to 171 in the preceding four years since the "People's War" was declared.

Phase 4: September 1998 – September 2001 – *Increasing Maoist Military Capability*

With the end of Operation Kilo-Sierra-2, the frequency and scale of Maoist attacks increased steadily over the next three years. The Maoists succeeded in establishing base areas in several districts, and set up parallel government structures, including "peoples courts", land registration offices, and other agencies. In July 2000, they announced the establishment of "people's governments" in the five (now six) mid-western districts that

comprise the Maoist heartland (except in the district capitals, where the government maintains a presence). By late summer 2001 the Maoists demonstrated their capability to attack a district capital in one action, and to capture 69 policemen in another. The latter action led the GON to mobilize the army in an abortive rescue operation.

Phase 5: September 2001 – November 22, 2001 – Cease-fire and Peace Talks

On July 22nd, 2001, S.B. Deuba replaced G.P. Koirala as Prime Minister, at the head of a majority Nepali Congress Party government. The Maoists, who harbor special animosity for Koirala because of his hard-line actions against them, insisted on his resignation as a precondition for peace talks. Meanwhile, Koirala was accused of corruption and mainstream opposition parties also demanded Koirala's resignation and prevented parliament from conducting any business for the entire winter session. In August, a cease-fire was declared, in preparation for peace talks between the government and the Maoists. Three rounds of talks were held.

First Round of Talks – August 30, 2001

Neither party presented an agenda at the first round of talks, as it was considered a warm-up session. In a joint statement issued after the meeting, both parties pledged to resolve the conflict in a peaceful manner. In a separate statement, the chief Maoist representative assured the GON, on behalf of the Maoists, that they would avoid all violence. However, two other Maoist negotiators, in separate speeches, warned that if the government failed to fulfill their demands, the "People's War" would continue.

Prior to the second round of talks, Prime Minister Deuba held an all-party meeting to receive suggestions and gain support.

Second Round of Talks – September 13, 2001 (Maoists table demands)

The second round of talks commenced with each party accusing the other of cease-fire violations. The government accused the Maoists of expanding their campaign of extorting "contributions" and terrorizing political workers and elected officials. The Maoists, for their part, claimed that the government was harassing and arresting its cadres.

The Maoists tabled three demands: 1) abolition of the monarchy and establishment of a republic, 2) formation of an interim government, and 3) formation of a constituent assembly and a new constitution to replace the existing one. The government rejected all three.

Interim Developments

- On October 4th, the Maoists released 26 abducted policemen.
- On October 10th, the GON convened another all-party meeting to finalize its strategy for the next round of talks. Party representatives assured the government of their full support to the GON's stand against the Maoist demands.
- On October 16th, the government released 300 Maoist prisoners, including several leaders who had been on a "most-wanted" list, prior to their arrest.
- On November 13th, the Maoists announced that they were withdrawing their demand for the formation of a republic.

- Prior to the third round of talks, reports appeared in the press, alleging that the allegiance of Maoist fighters was more to one “Comrade Badal” (R.B. Thapa), than to the ostensible leaders, Prachanda and B. Bhattarai. Badal is a Maoist military commander credited with improving the capability of the Maoist guerillas. It was reported that Badal and many of the fighters opposed holding peace talks with the government, and dropping the demand for the formation of a republic. Such reports, in conjunction with cease-fire violations by local Maoist groups (despite orders from their central command to avoid violence) created the impression of dissent and factionalism within the movement. During this period, press reports stated that hundreds of Maoist cadres were leaving the party to return home or flee to India.

Third Round of Talks – November 13, 2001

Talks were adjourned after one day, at the start of a four-day holiday. They were to have resumed after the holiday. However, on November 22nd, the Maoists announced that there was no longer any basis for continuing the cease-fire. As a post-script, they said that they were still open to talks, but only under a “new process”, which they did not define.

Phase 6: November 23, 2001 – *Present The “People’s War” Resumes*

On the night of November 23rd, a force of Maoist guerrillas, said to number about 1,000, attacked Ghorahi, the capital of Dang District (Terai), killing 39 people. Government offices and other buildings and property were bombed and burned, and about USD 860,000 (in Nepali currency and gold) was stolen from three local banks. In this attack, the Maoists, for the first time, targeted barracks of the Royal Nepal Army. Over 300 weapons, including semi-automatic and automatic arms, and 10-15,000 rounds of ammunition were captured from the military. The timing of the attack, when the majority of the troops was either on leave or posted elsewhere, suggests that the Maoists had an informer in the barracks. The Maoists also carried out attacks at 14 other locations across the nation, on the same night.

On November 25th, a Maoist force, said to number about 2,500 attacked Salleri, the capital of Solukhumbu District (Everest area), killing 34 people, including 11 soldiers and the chief district officer. Forty rifles were taken from the district police office, and about USD3.6 million (in Nepali currency and gold) was stolen from a bank. Buildings were bombed and set alight. In this attack, the Maoists targeted the Royal Nepal Army, for the second time.

State of Emergency Declared

On November 26th, the Government of Nepal declared a state of emergency, and formally mobilized the army against the Maoists, whom they labeled “terrorists”. Maoist workers and known sympathizers have been arrested.

Fundamental Rights Suspended During Emergency:

Article 12, Right to Freedom

Article 12.2 (a) – Freedom of opinion and expression;

Article 12.2 (b) – Freedom to assemble peaceably and without arms;

Article 12.2 (d) – Freedom to move throughout the Kingdom and reside in any part thereof;

Article 13. Press and Publication Right

Article 13.1 – No news item, article or any other reading material shall be censored.

Provided that nothing shall prevent the making of laws to impose reasonable restrictions on any act which may undermine the sovereignty and integrity of the Kingdom of Nepal, or which may jeopardize the harmonious relations subsisting among the peoples of various castes, tribes or communities; or on any act of sedition, defamation, contempt of court or incitement to an offence; or on any act against which may be contrary to decent public behavior or morality.

Article 15. Right Against Preventive Detention

Article 15.1 – No person shall be held under preventive detention unless there is a sufficient ground of existence of an immediate threat to the sovereignty, integrity or law and order situation of the Kingdom of Nepal.

Article 15.2 – Any person held under preventive detention shall, if his detention was contrary to law or in bad faith, have the right to be compensated in a manner as prescribed by law.

Article 16. Right to Information

Every citizen shall have the right to demand and receive information on any matter of public importance;

Article 17. Right to Property

Article 17.1 – All citizens shall, subject to the existing laws, have the right to acquire, own, sell and otherwise dispose of property.

Article 17.2 – The State shall not, except in the public interest, requisition, acquire or create any encumbrance on, the property of any person.

Article 17.3 – The basis of compensation and procedure for giving compensation for any property requisitioned, acquired or encumbered by the State for in the public interest, shall be as prescribed by law.

Article 22. Right to Privacy

Except as provided by law, the privacy of the person, house, property, document, correspondence or information of anyone is inviolable.

Article 23. Right to Constitutional Remedy

The right to proceed in the manner set forth in Article 88 for the enforcement of the rights conferred by this Part is guaranteed.

(Note: Article 88 deals with protection of fundamental rights to be safeguarded by the Supreme Court. The right to the remedy of *habeas corpus* under Article 23 has not been suspended.)

Definition of “Terrorist” According to the Terrorist and Disruptive Activities (prevention and control) Ordinance 2001 , Invoked During the State of Emergency

Terror, terrorist and disruptive acts and crimes have been clearly defined and the following acts are considered terrorist and destructive crimes:

Any act or plan using any kind of arms, grenades or explosives or any other equipment or goods with the objective of affecting or hurting the sovereignty or the security and law and order of the Kingdom of Nepal or any part thereof or the property of Nepalese Diplomatic

Missions abroad thereby causing damage to property at any place or any act causing loss of life or dismemberment or injury or setting fire or hurting physically and mentally or any act of poisoning goods of daily consumption causing loss of life or injury, or any of the aforesaid acts thereby causing panic among people in motion or assembled; Acts of intimidation or terrorizing individual persons at any place or in any vehicle or abducting them or creating terror among them by threatening to abduct them from vehicles and places or abduction of people travelling on such vehicles as well as activities like taking the life of others, causing physical mutilation, injury and harm or causing other types of damage by using substances mentioned in the relevant section in that connection or by threatening to use such substances or any other substances other than those mentioned in that section or threatening to use them, or; Acts like the production, distribution, accumulation, peddling, importation and exportation, marketing, or possession or installation of any kind of arms and ammunition or bombs or explosive substances or poisonous substances or any assistance in this connection, and; Acts of gathering people or giving training for this purpose, Any other acts aimed at creating and spreading fear and terror in public life, Acts such as extortion of cash or kind or looting of property for this purpose, Forcibly raising cash or kind or looting property in pursuit of the said purpose. Any attempt or conspiracy to engage in terrorist or destructive activity, or to encourage or force anyone to take up such activity, gathering more than one individual for such purposes, constituting any group to the same end, or assigning anyone to such activity or participating in such activity with or without pay or engaging in publicity for such activity, causing obstruction to government communications systems, or giving refuge to any individual engaged in terrorist or destructive activity, or hiding any person doing any of these things.

Penalty for Terrorism According to the Terrorist and Disruptive Activities (prevention and control) Ordinance 2001 , Invoked During the State of Emergency

According to the Terrorist and Disruptive Activities (prevention and control) Ordinance 2001, anyone found involved in acts of terrorism or even helping or harboring terrorists can be sentenced to life in prison. Specifically, the Anti-terrorism Ordinance issued by the government states "If a life (or lives) is lost due to the acts of terrorism then the people involved or those conspiring these acts would be imprisoned for life. Even if no life is lost such acts would still be punishable by life in prison. As part of the sweeping power to authorities and security forces during the nationwide state of emergency, authorities would be able to detain anyone they suspect of involving in acts of terrorism for 90 days without charging them, "if the authority believes that there is basis to stop an individual or group from performing acts of terrorism then security personnel can detain them for maximum of 90 days". An additional 90 days of detention can be added through approval of the Home Ministry. Authorities can make these arrests without warrants and put suspects under surveillance and freeze their bank accounts and suspend their passports. Even if a person suspected of being involved in terrorism is living outside the country at the moment, he/she could be charged under the local laws, the notice said.

Restrictions on Press Freedom Under the State of Emergency

PRESS FREEDOM 'LIMITED' FOR NEXT SIX MONTHS: Considered one of the most fundamental rights of the people, the Nepalese government has declared that freedom of press and expression will be 'limited' for the next six months though the initial period of emergency is only for a period of three months. A directive issued by the Ministry of Information and Communications on November 26, 2001, stated that the government has prohibited the publication and dissemination of any news item which may incite contempt or ill intention or demean the stature of His Majesty or the Royal family, may disturb law and order of the Kingdom of Nepal, undermine the country's sovereignty, discourage the Royal Nepalese Army, Nepal Police and civil servants, news that might support Maoist terrorists and groups, or any other reading materials that might create fear and terror among the public, among others.

III. CAUSES AND IMPACT OF THE CONFLICT

1. ROOT CAUSES

Six inter-linked problems have provided fertile ground for the Maoist insurgency: endemic poverty, corruption, mass unemployment, poor education, the disparity between rural and urban services, and the lack of development impact at the local level. No doubt some Nepalese are in the Maoist camp today because of fear and coercion, while others have taken up arms to avenge murders by the police, but these are secondary, downstream causes. The majority of those who have joined the insurgency have done so out of desperation: they see violent revolution as the only means they have to solve these six problems.

Data Supporting the Identification of Root Causes

In June 2001, New Era, a Nepali NGO engaged in research and demographic studies, carried out an assessment in ten sample rural districts throughout Nepal. These districts included samples from all of Nepal's topographical/climatic zones. Politically, the sample districts included areas controlled by Maoists. Conclusions drawn from surveys within the sample districts are generally applicable to conditions across rural Nepal.

42 percent of Nepalese live below the poverty line of USD77 per year.¹ Eighty percent of all Nepalese farm for a living; the figure is slightly lower in the study area (72 percent).² To raise crops without irrigation; in Nepal's climate is a risky business. Annual rainfall both decreases and becomes more unpredictable as one moves west.

In the study area, 54 percent of farm households lack irrigation, among disadvantaged groups, the figure rises to 61 percent³. Since virtually all viable farmland is already under cultivation, the only way to increase production is through improved technology, but farmers will not use improved seed or chemical fertilizers in the absence of irrigation because the risk is too great⁴. Under traditional inheritance practices, the head of a household divides his land among his sons; this results in land holdings that are too small to feed a family for a full year.

Food is the major expenditure for over 86 percent of households in the study⁵. Deterioration of the rural economy⁶, and of the employment situation⁷ compels 67% of migrants from the study area to migrate in search of employment⁸. The fact that nearly 50% of migration is for less than one year suggests seasonal migration, to compensate for

¹ Management Assessment of Urban Programs for Bureau of Asia and the Near East(Draft), Research Triangle Institute, October 2001, p.77.

² Assessment of Service Delivery in Selected Districts, New Era, Kathmandu: 2001, p.9

³ Assessment of Service Delivery in Selected Districts, New Era, Kathmandu: 2001, p.76

⁴ Assessment of Service Delivery in Selected Districts, New Era, Kathmandu: 2001, p.63

⁵ Assessment of Service Delivery in Selected Districts, New Era, Kathmandu: 2001, p.12

⁶ Assessment of Service Delivery in Selected Districts, New Era, Kathmandu: 2001, p.13

⁷ Assessment of Service Delivery in Selected Districts, New Era, Kathmandu: 2001, p.14

⁸ Assessment of Service Delivery in Selected Districts, New Era, Kathmandu: 2001, p.17

inadequate household food production. The fact that 62 percent of migrants do not send any remittances home, suggests that they migrate simply to feed themselves, and to remove one mouth from the family “dinner table”.

Poor Education

Only 48 percent of Nepal’s rural population is literate⁹; for women, the figure is only 42 percent¹⁰. Illiteracy and semi-literacy reduce an individual’s prospects for employment. They also limit access to credit and information about nutrition, food production, health, and the law. In rural Nepal, illiteracy limits one’s information horizon (except for radio and word of mouth) to one’s village. In regard to Maoist propaganda, one has no way to independently access, evaluate, and verify information.

Disparity between Rural and Urban Services – No Development Impact at the Local Level

Nepal’s Human Development Index (HDI) stands at 0.474, against a maximum attainable value of 1; it ranks 144th out of 174 countries. But regional disparities are so great that Kathmandu’s HDI is four times that of rural Mugu, a district in the western region.¹¹ Poverty incidence in rural areas is almost double that of urban areas. For example, chronic child malnutrition (<3 years old) is 49.3 percent in rural areas and 35.4 percent in urban areas; 47 percent of the families in rural areas have poor income as against 18 percent in urban areas.¹² The life expectancy for urban Nepali women is 56.9 years; for rural women: 32.3 years. Twenty-two percent of the urban population has access to safe drinking water, against less than eight percent in rural areas.¹³

These are a few examples of the disparity between rural and urban areas. Similar examples can be found in virtually all sectors: energy, transportation, roads, health services, education, etc. Many rural Nepalese simply do not see the government providing them with basic services, or helping them to improve their impoverished condition.

Corruption

Over 98 percent of respondents in the New Era study agree that corruption is the root cause of all problems in Nepal.¹⁴ Out of 14 government institutions covered in the study, only one institution, the village development committee, was perceived as having a low level of corruption.¹⁵

⁹ Nepal Human Development Report 2001: Poverty Reduction and Governance in Nepal (Draft), World Bank.

¹⁰ Report on the Situation of Women, Children and Households, HMG Nepal, Central Bureau of Statistics, in Collaboration with UNICEF Nepal, March 2001.

¹¹ Nepal Development Cooperation Report 2000, UNDP, p.4.

¹² ADB, *Country Strategy*, 7/99 and 7/01, cited in: Management Assessment of Urban Programs for Bureau of Asia and the Near East(Draft), Research Triangle Institute, October 2001, p.77.

¹³ Nepal Human Development Report 2001: Poverty Reduction and Governance in Nepal (Draft), World Bank.

¹⁴ Assessment of Service Delivery in Selected Districts, New Era, Kathmandu: 2001, p.30.

¹⁵ Assessment of Service Delivery in Selected Districts, New Era, Kathmandu: 2001, p.31

Some of the institutions perceived as especially corrupt, are ones that have immediate impact on rural people:

Land Administration	86.5%	perceive corruption	
Forest Department	72.1%	“	“
Police	72.6%	“	“
Judiciary	71.9%	“	“

These perceptions corrode citizens' confidence in government.

Government Initiatives to Address Root Causes of the Conflict

Decentralization and the Local Self-Governance Act of 1999 appear to have improved the GON's image in rural areas. Seventy-five percent of respondents in the study thought it was a good step¹⁶. This fact, in combination with the perception that VDCs are relatively free of corruption, bodes well for projects implemented at the local level.

The very fact that elections have been conducted since 1991 provides hope that improvement in the conditions of the rural poor can be made without recourse to violence.

The abolition of bonded labor, although it was not well planned, demonstrated great political will on the part of the government, in the face of strong opposition from powerful interests.

¹⁶ Assessment of Service Delivery in Selected Districts, New Era, Kathmandu: 2001, p.19.

2. HUMAN RIGHTS CONDUCT

Since the earliest days of the conflict, reports of widespread human rights violations by both the police and the Maoists have been very common. The very nature of these acts, and the conditions under which they are perpetrated makes them difficult to document. The police deny virtually all allegations of human rights violations on their part. The ubiquity and pervasiveness of the reports, however, makes it impossible to accept blanket denials. The Maoists, for their part, do not deny their actions, but justify them as a necessary part of the "peoples war". The main sources of information on human rights violations are the press and human rights organizations, mainly Amnesty International.

The Nepal Police (NP) force is poorly trained and poorly armed. Its tactics are aimed, first and foremost at obtaining confessions. Beatings, intimidation, torture, detention, and rape have all been traditional methods to achieve this end. For most of its history, the police force has enforced the policies of the monarchy, with limited civilian and/or legal supervision or challenges to its authority or tactics.

In 1991, Nepal became a constitutional monarchy. While, the new legal framework provided its citizens with substantial individual rights under the constitution, limited resources meant that the recruitment, training and operations of the police remained largely unchanged.

In 1994, the GON launched Operation-Romeo against the Maoists, relying on crude intimidation and retribution by the police. Police actions resulted in allegations of large-scale human rights abuses. Maoists, in turn, retaliated, killing policemen and the numbers killed have risen dramatically over time as killings of alleged Maoists by the police have dramatically declined. The killing of police also has a definite political agenda since it completely removes any GON presence capable of challenging Maoist authority. Maoists have systematically attacked police posts, brutally murdering and abducting survivors.

In addition, Maoists have beaten, tortured, and murdered local political and government officials, landowners, teachers, and those who have simply questioned their methods. Reliable anecdotal reports confirm hacking people to death, beatings, maiming - including the cutting off of legs, hands, and fingers, breaking bones with hammers etc. Since these incidents occur almost exclusively in remote areas, anecdotal information is more reliable than statistical data in confirming the extent that these punishments are inflicted. Maoist "people's" courts are convened and also carry out sentences, many involving severe corporal punishment. In addition, Maoists confiscate crops, food, and cash, and "redistribute" land in areas under their control.

Finally, Maoists have engaged in the wholesale destruction of property and extortion ("donations") in urban centers as well as remote areas. They have targeted private businesses, GON institutions, NGOs, and schools. In particular, they have targeted local private schools destroying property and publicly beating and humiliating school administrators. This has occurred in Kathmandu as well as other urban centers with a substantial police presence.

With the enactment of a State of Emergency by the GON on November 26th, 2001, many individual rights guaranteed under the constitution have been suspended. By enacting a state of emergency, officially labeling the Maoists as terrorists, and mobilizing the army, the GON may be setting the stage for rapidly eroding the progress made in curbing human rights excesses. However, there is general consensus among the citizenry that the GON must take extraordinary steps to restore order and security.

Examples of Reported Human Rights Abuses

The Police

Victims of human rights violations committed by the Nepal Police include people suspected of being members or sympathizers of the Maoists, or its political wing, the *Samyukta Janamorchha*. Among them are many members of the Magar tribal community, members of lower Hindu castes, lawyers, teachers, and juveniles.¹ Human rights abuses carried out by the Nepal Police include extra-judicial killing; torture; rape; illegal arrest; immediate re-arrest of prisoners after their release by a court; and denial of prisoner's rights including access to legal counsel, contact with family, and appearance before a court within 24 hours. Below, are specific examples of human rights violations by the police.

Re-Arrest

February 1996	Rajendra Dhakal, a human rights activist, lawyer was arrested in Gorkha District. The court ordered his release, but the police re-arrested him five times. ²
---------------	--

Torture

February 1996	Dil Prasad Sapkota, head teacher at the public school in Kubhinde, Sindhupalchok District, was hung upside down and beaten while in police custody. ³
---------------	--

August 1998	Two young women from Bardya District, arrested on suspicion of being involved in the murder of a local Nepali Congress Party member, were subjected to torture while under interrogation by police in Banke District. They were beaten on the soles of their feet, and weighted bamboo canes were rolled on their thighs. ⁴ Use of these methods of torture, respectively known as <i>falanga</i> and <i>belana</i> are widely reported by prisoners. They are extremely painful and can cause permanent injury including muscle damage and, occasionally, renal failure.
-------------	--

¹ NEPAL: Human rights violations in the context of a Maoist "peoples' war" Amnesty International, 1997

² Amnesty International Annual Report 1997

³ Amnesty International Annual Report 1997

⁴ Amnesty International Annual Report 1999

August 1999 Suk Bahadur Lama, a 21-year-old man from Dolakha District, died as a result of torture inflicted for six successive days at the area police office, Nawalpur, Nawalparasi District. A post-mortem found he had multiple burn injuries on both feet, cauterized abrasions on his upper back, and bruises on his back and sides as well as on his thighs, calves and the soles of the feet. Eight police officers were arrested and charged with his murder. They were released on bail, pending the start of their trial. A case filed under the Torture Compensation Act was withdrawn after police allegedly bribed his family.⁵

Rape

February 1996 Two girls Khal Kumari K.C.(aged 14), and Tirtha K.C. (age 17), and a young women Deosari K.C. (age 18) were reportedly ordered to strip naked and then were raped by police in Leka, Rukum District.⁶

Illegal Arrest/Detention

1998 Approximately 1,800 people were arrested on suspicion of being members or sympathizers of the Maoists. At the end of the year, an estimated 400 remained in detention without trial. Many were arrested without warrant and kept in police custody without being brought before a judicial authority within 24 hours, in contravention of the Constitution. Scores of prisoners were also held for more than 25 days without being formally charged as required under the law. Many were not given access to lawyers or relatives.⁷

The Maoists

Armed activists of the Maoists have been responsible for deliberate killings of civilians declared by them to be “enemies”. Their victims have included elected officials, teachers, landowners, suspected police informers, and local politicians belonging to mainstream political parties. Human rights abuses carried out by the Maoist insurgents include murder; mutilation, torture, intimidation, kidnapping, use of landmines, and use of human shields.

Murder

1997 At least 18 people were reported to have been deliberately and arbitrarily killed by members of the Maoists. Among them were seven candidates and voters killed by the Maoists in the run-up to

⁵ Amnesty International Annual Report 2000

⁶ NEPAL: Human rights violations in the context of a Maoist “peoples’ war” Amnesty International, 1997

⁷ Amnesty International Annual Report 1999

local elections in May; the Maoists had called for a boycott of the elections. Among those killed was Sita Ram Thapa, an elected Nepal Congress Party member from Amale in Sindhuli District. He was hacked to death at his home in May.⁸

- August 9, 1998 Govinda Poudel, a Nepali Congress Party member was hacked to death by members of the CPN (Maoist), at Rambhapur, in Bardya District.⁹
- September 1999 Tek Bahadur Shahi, a journalist and potential Nepali Congress election candidate, was killed by members of the Maoists armed with *khukuris* (a cleaver-like weapon) in Achham District.¹⁰
- February 14, 2000 Maoists pulled two men out of a political procession in Rukum and beheaded them in front of hundreds of onlookers. It is believed that the victims were targeted because they were carrying Nepali Congress Party flags.¹¹
- February 24, 2000 In Sindhupalchowk, a group of rebels attacked a local official, tied him to a tree and hacked him to death with *khukuris*.

Use of Land Mines

- 25, May 2001 A policeman was killed when he stepped on a land mine planted by members of the Maoists, in Tanahun District.¹²

Use of Human Shields

- July 18, 2001 An armed unit of the Maoists was holding 69 policemen captive at Nuwa, in Rolpa District. When the Royal Nepal Army surrounded the village, the Maoists placed villagers between themselves and the government troops, and succeeded in escaping.¹³

⁸ Amnesty International Annual Report 2000

⁹ Amnesty International Annual Report 1999

¹⁰ Amnesty International Annual Report 2000

¹¹ 2000 Country Reports on Human Rights Practices; Bureau for Democracy, Human Rights, and Labor, U.S. Dept. of State.

¹² Amnesty International Annual Report 1999

¹³ The Kathmandu Post and Kantipur Daily- July 16/01

3. MATERIAL EFFECTS

Obviously, the most dramatic impact of the insurgency is its huge human cost. An estimated 1,800 – 2,000 people (including civilians, police, and Maoists) have been killed to-date. The six-year old insurgency is also depleting economic resources and the development potential of this already impoverished nation.

The 2001 Budget illustrates the twofold effect of the insurgency on Nepal's resources. On one hand, GON resources have been reallocated to cover the increased requirements of the military and police to combat the insurgency. On the other, a shortfall in revenue can be explained, at least in part, by the impact of the Maoist-induced violence on various economic sectors, especially tourism, manufacturing, and trade. Although the finance minister has estimated a loss of up to USD 19.7 million due to the Maoist insurgency, the long-term implications of this protracted conflict are difficult to predict. The GON normally relies on donors to meet about 50 percent of its development (non-recurring) budget needs. With decreased revenues and the need for increased military spending, the GON's budget shortfall will increase substantially, forcing the GON into increased deficit spending and/or seeking additional donor resources to supplement its budget.

1. Security measures: The total (recurring and development) 2000/01 budget (USD 1,313 million) allocates USD 152 million to security measures most of which will go to the police. The police have been allocated USD 92 million, a 15 percent increase over last year's allocation.

Another USD 7.9 million has been allocated for the Integrated Security and Development Program (ISDP) being implemented in six of the districts severely affected by the Maoist insurgency. The ISDP, is a cross-sectoral, multi-district initiative that seeks "to root out poverty and enhance human rights indicators" in districts affected by the insurgency. The program has started on a pilot basis in Gorkha District and is eventually to be extended to other districts. The plan calls for an infusion of USD 114.93 million in external assistance over the next 3–5 years.

2. Revenue shortfall: Although the USD 44.2 million shortfall for the 2001 budget cannot be completely blamed on the insurgency, there are some clear linkages. Three of the sectors experiencing declines are tourism, manufacturing, and international trade.

The tourism sector, which generates 15 percent of total foreign exchange earnings and 4 percent of Nepal's GDP, has been seriously impacted by the insurrection. Although tourists have not yet been targets of abduction or kidnappings, many of the popular trekking areas are off-limits for security reasons. Moreover, recent attacks on rural airstrips and violence in Solukhumbu District, the Mt. Everest area, will undoubtedly result in a further decrease in tourism revenues. In 2000, air-tourist arrivals, which account for 85 percent of the total tourist inflow, declined by more than 11 percent (from 421,243 in 1999, to 376,503 in 2000). India is Nepal's biggest source of tourists. Tourist arrivals

from India are down by 30 percent this year. Maoist anti-Indian rhetoric and violence against Indian-owned businesses have alarmed already nervous Indian travelers.

The manufacturing sector has been a major target of Maoists attacks. Violence has been directed at both factories and the management of many industries in Maoist-affected areas. Local businesses are often subject to theft, vandalism, and extortion. Breweries and the alcohol industry were particularly affected after the Maoist-affiliated Women's Union successfully launched a campaign against the distribution and manufacture of alcoholic beverages. The campaign initially took a non-violent approach demanding changes to alcohol consumption and retail laws but soon took a violent turn, culminating in an arson attack on a major distillery that resulted in damage totaling USD 400,000 and the loss of hundreds of direct and indirect jobs.

International trade is the third sector most affected by the insurgency. Since 1990, foreign investment in Nepal has generated more than 82,000 jobs. However, it is estimated that last year alone 7,183 jobs were lost due to the closing or cancellation of 17 projects or industries. Violence along the India-Nepal transit corridor has hampered the flow of goods in and out of landlocked Nepal, jeopardizing both exports, and the import of raw materials. Maoists have made numerous statements against foreign-owned industries operating in Nepal. They have identified India and the United States, Nepal's largest trading partners, as having imperialistic and expansionistic goals in Nepal. This rhetoric has turned to violence. There have been four recent bombings of foreign owned industries in various parts of Nepal, including the November 29th bombing of the Coca-Cola plant in Kathmandu.

4. REGIONAL IMPLICATIONS

International/Regional Links of the CPN (Maoist)

At the international level, the Communist Party of Nepal (Maoist) is a member of the Revolutionary Internationalist Movement (RIM). The most prominent other member of RIM is the Shining Path guerilla movement in Peru. Other known members include the Maoist Communist Center (MCC), a revolutionary organization mostly active in the Bihar-Bengal region of India; the Revolutionary Communist Party (RCP) USA; the Turkish Kommunist Party (Marxist Leninist) [TKP(M-L)]; and the Union of Communists of Iran (Sarbedaran).

In February 1998, the Committee of the Revolutionary Internationalist Movement issued the following Public Statement to the Central Committee, Communist Party of Nepal (Maoist):

“Comrades, the struggle you are waging has importance far beyond the borders of Nepal. The participation of the Communist Party of Nepal (Maoist) in the Revolutionary Internationalist Movement, the concern and assistance given by your Party to the advance of the communist movement in the South Asia region and throughout the world, even at difficult moments in your struggle, inspire us. The Committee of RIM and the CPN (M) will continue to march forward as in the past—united by our all-powerful ideology, Marxism-Leninism-Maoism, and determined to accelerate the development of the world proletarian revolution.”

Committee of the Revolutionary Internationalist Movement

1 February 1998¹⁷

At the regional level, the Nepal Maoists recently joined eight other Maoist organizations to found the Coordination Committee of Maoist Parties in South Asia (COMPAS). COMPAS members include four parties from India, three from Bangladesh, and one each from Sri Lanka and Nepal.

Prospects for Expansion of the Conflict

The Maoists' links to like-minded organizations outside the region probably amount to little more than rhetoric, moral support, and information sharing. An example of the latter is an article on encryption of email and computer files, on the web page of the Revolutionary Internationalist Movement.

¹⁷ Public Statement to the Central Committee, Communist Party of Nepal (Maoist) in “The Worker” Organ of the CPN (Maoist), No.5, October 1999.
http://www.maoism.org/misc/nepal/worker5/worker5_toc.htm

India

Within the region, the Nepali Maoists' most substantial link is with revolutionary groups in India. The original Nepal Communist Party was founded in India in 1949, and radical groups in the two countries have been associated since that time. In the early 1970s, the Naxalites of northern India carried out a campaign of assassinations that coincided with (and which some say was coordinated with) similar assassinations by radical communists in Jhapa District, in southeastern Nepal. In December 1998 a rally was held in front of Nepalese Embassy in New Delhi by the 'Solidarity Forum', an association of Indian revolutionary groups, to support the "People's War" in Nepal'.

Underground leaders of Nepal's Maoists are based in Northern India, and the arms markets in Uttar Pradesh and Bihar, across Nepal's southern border, are reported to be a source of weapons and ammunition for the "People's War". Nepali Maoist guerrillas are reported to have received advanced training in India, mainly in Jharkhand and in the work area of the Communist Party of India (Marxist Leninist-"People's War"), in Andhra Pradesh.¹⁸ [An article on the activities of Communist Party of India (Marxist Leninist-"People's War") appears in the annex, at the end of this report]. There are also reports that some Nepali Maoist guerrillas join the Indian Army to get combat training and then desert, to return to their guerrilla units in Nepal.

Nepali Maoist propaganda frequently makes use of anti-Indian sentiment in Nepal. One of their principal demands is the abrogation of various treaties between the two countries, that many Nepalese consider unequal. Maoists also maintain that Indian troops have occupied Nepali territory in Kalapani, in western Nepal, since 1962. Maoist activists played a role in provoking the violent Kathmandu riots that made international headlines in December 2000, when an Indian film actor was (erroneously) accused of making anti-Nepal statements on television.

On September 24, 2001, India announced its decision to station 10,000 security personnel along its border with Nepal, to control the activities of "terrorists, criminals, and undesirable elements" in the area. On November 28th India offered Nepal "whatever help is required" in its fight against the Maoists. These moves suggest that India is substantially concerned about cross border terrorist activity. It gives rise to speculation about what would happen if Indian troops were to enter Nepal's territory.

After initially describing the "People's War" in Nepal as a law-and-order problem, India has more recently called Nepal's Maoists, terrorists. At a Joint Working Group meeting in New Delhi, on June 29th 2001, officials from both countries agreed to commence expert level discussions on a legal framework for cooperation in criminal and civil matters and to review extradition arrangements. The stationing of Indian troops on Nepal's border has already been mentioned above.

¹⁸ An Overview of the Recent Armed Conflict in Nepal, New Era, October 2001, p.23.

There is already a perception in India that Nepal is being used by Pakistani intelligence services, for anti-India activity. The arrest and expulsion of a Pakistan Embassy official in Kathmandu, for possessing large quantities of symtex gave substance to the perception, as did the hijacking of an Indian Airlines aircraft from Kathmandu in December 1999. The Kathmandu riots in December 2000, which focused violence against Indians, were widely covered in the Indian press, and intensified the impression that Nepal's attitude toward India is not friendly.

China

Despite India's objection, the 120 km Arniko Highway, linking Nepal to China, was constructed in the 1960s with Chinese assistance. The highway passes through Kavre, Dolakha, and Sindhupalchok, hotbeds of Maoist insurgency. China's main concern is the possible use of Nepal as a sanctuary by the Free Tibet movement. To Beijing's annoyance, Nepal serves as a transit point for Tibetan refugees enroute to India. Currently, there is no evidence of official Chinese support for the Nepalese Maoists, although an upsurge in Tibetan activities in Nepal could make the Maoists a tempting instrument for retaliation against activist Tibetan refugees.

IV. RESPONSE TO THE CONFLICT

1. GOVERNMENT OF NEPAL

Status of the Integrated Security and Development Program

The Integrated Security and Development Program (ISDP) was enacted on April 30, 2001. Its primary purpose is to restore security in affected districts. In addition, some districts have been designated to also receive limited short-term development assistance, while a third category of districts has been selected to receive additional major development assistance. Details are not included herein since the implementation of the ISDP is still limited at this point and the stages of implementation remain largely theoretical at this juncture [Note: Nepal's State of Emergency and the subsequent deployment of its army will undoubtedly have a major effect on the ISDP's future].

The ISDP is aimed at neutralizing the Maoist insurgency and mainstreaming development activities. The Government of Nepal (GON) listed three reasons that the Maoists are gaining ground:

1. Lack of Employment/Income.
2. Lack of Services.
3. Lack of Infrastructure.

GON officials concede that there is a political component but point out that most of the recruits are youths who are joining due to the absence of alternate employment opportunities, acute poverty and accompanying frustration, and the general lack of development in the most affected regions. These areas are often remote, with low social indicators, endemic poverty and few, if any, alternatives other than emigration.

Activities have already been started in 7 districts. The districts are Gorkha, Rolpa, Jajarkot, Kalikot, Salyan, Peuthan and Rukum. An additional 6 districts are targeted: Dang, Dailekh, Dolakha, Surkhet, Lamjung and Ramechhap. District Development Programs for these six additional districts have been approved by the central committee of the ISDP and submitted to the Council of Ministers for endorsement.

Role of Army

The Army's main role is to provide full security assurance to citizens and protect government property. Army troops have been closely working with the police. According to a decision made by the GON on October 3, 2001, the Royal Nepal Army (RNA) has also been given responsibility for implementing development programs. There are at least 5 road improvement projects in Gorkha district alone where the army is fully mobilized in terms of labor, supervision and book keeping. The Army also hires local labor when required. Similarly, the army is also implementing other road projects in Rolpa, Rukum, Kalikot, Peuthan, Salyan and Dolpa.

Responsible Government Entity

Currently, absent donor participation, the Ministry of Finance (MOF) is not directly involved in day to day implementation. The National Planning Commission (NPC) is monitoring the status and reporting to the Prime Minister since he is the head of both NPC and ISDP. (An explanation of how the ISDP functions is attached in the Annex).

Donor Support

The GON has elicited donor support (letter is attached in Annex). However, it is not clear to what extent donors have agreed to support ISDP activities directly or work in conjunction with the ISDP in affected areas.

Budget

During the last fiscal year, Gorkha, the model district, was allocated USD2.5 million and other districts were allocated less. However, discussions by USAID staff with GON and army personnel in Gorkha indicate that while the amount may have been allocated, almost no funding has been disbursed. The budget for the upcoming year presented to Parliament on July 9th, allocated approximately 8 million dollars for ISDP. Of that amount, approximately 75% was allocated for security aspects of the program, specifically for the purchase of helicopters for the army [Note: Budgetary allocations for implementing the ISDP have not yet been received either by the army or at the district level].

2. DONOR PROGRAMS

There is a growing realization among many of the major donors that something has to be done to address conflict mitigation and support the GON's efforts for a negotiated settlement of the conflict. Following is a summary of donor programs in the area of conflict mitigation:

UNDP

UNDP initiated the Peace and Development Trust Fund with the objective of pooling donor resources to enhance the capacity of Nepali actors, particularly disadvantaged groups, to address conflict, peace building and human rights issues through the support for initiatives that prevent violence, and contribute to peace and development in Nepal. Activities include raising awareness and strengthening capacities of key actors at the local and national levels, and increasing the capacity and awareness of human rights among government officials and civil society; with particular emphasis on law enforcement officials, women, disadvantaged groups, youth and young soldiers to decrease violence in Nepal. A number of donors including the British and the Norwegians are providing funds to the UNDP administered USD3 million fund.

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (DFID)

The British development agency DFID has recently requested USD12 million from its Government for short-term support for security, development and peace building in Nepal. Proposed activities include support to the Royal Nepal Army (RNA) for provision of security in conflict affected areas; quick additional high impact activities such as local infrastructure projects; and strengthening cross-party approach to the peace process.

NORWEGIAN GOVERNMENT'S ASSISTANCE

The Government of Norway has expressed interest in supporting the Government of Nepal's peace and development efforts. Additional assistance to the GON is likely be a major topic of discussions during Nepal's Minister of Finance's current visit to Norway.

GERMAN TECHNICAL COOPERATION (GTZ)

GTZ is continuing with its USD18 million Rural Development Program implemented in four districts including Gorkha, the ISDP pilot district, and is considering expanding its activities if additional funds are received from its Government.

OTHER COMPLEMENTARY PROGRAMS

DFID's USD28 million Enabling State Program for Pro Poor Governance (DFID's terminology) is aimed at improving the conditions of those living in poverty by focusing on understanding the problems of the poor and developing practical solutions from a local perspective. A key component of the program is encouraging and supporting project ideas for change identified and developed by Nepalese at the local level.

This innovative program is demand driven, responding to individual funding requests from a wide range of government institutions, NGOs, local organizations, etc. It has great scope for rapidly responding to differing and rapidly changing development needs in Nepal's current social environment.